



State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt
Governor

Kathleen Clarke
Executive Director

Lowell P. Braxton
Division Director

1594 West North Temple, Suite 1210

PO Box 145801

Salt Lake City, Utah 84114-5801

801-538-5340

801-359-3940 (Fax)

801-538-7223 (TDD)

December 9, 1998

Neldon Kunz
American Gilsonite Company
HC 73 Box 28
Vernal, Utah 84078

Re: Reclamation Surety Review & Amendment Final Approval, American Gilsonite Company, Bonanza Gilsonite Operations, M/047/010, Uintah County, Utah

Dear Mr. Kunz:

This is a follow up to the Division's June 18, 1998 letter which mentioned a reclamation surety issue which remained to be resolved before the Division could grant final approval for the recent amendment. The Division needed to determine if the current amount of reclamation surety is adequate considering both the recent amendment addition and reclamation of mine sites. To resolve this issue the Division was to inspect reclaimed sites which had not yet been released, and evaluate the current reclamation surety including this latest amendment.

The recent amendment was to add sites WH-3 and WH-7 (Federal Lease UTU-060749) to the list of active mine sites. Each site is estimated to have approximately 0.9 acres of surface disturbance for a combined total of 1.8 acres. The amendment is not typical due to a proposal to mine the gilsonite vein without leaving a traditional surface pillar in portions of the vein. The sites are to be reclaimed by blasting the veins closed and then regrading and revegetating the area.

Sites which were candidates for release were H-1, WH-11, LE-4, PW-3, and PW-4. Sites H-1, PW-3, and PW-4 were inspected by Division staff on June 30, 1998. Site WH-11 was inspected by the Division on October 29, 1997 as an example of final closure by blasting. As a result of these inspections, the Division hereby grants full reclamation release of the following sites and acreages, respectively: H-1, 1.0 acre; PW-3, 1.0 acre; PW-4, 1.0 acre; WH-11, 1.0 acre. The total mine site acreage released is 4.0 acres. Site LE-4 has not been inspected since 5/10/96, therefore, this site could not be released at this time. Site WH-11 is on BLM land, therefore, American Gilsonite will also need to receive the BLM's release approval for this site.

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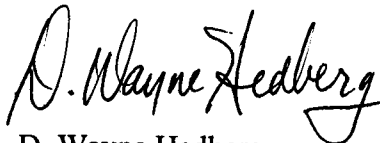
The net effect of releasing four sites (4.0 acres) and adding two sites (1.8 acres) is an excess of bonded acreage for mine sites of 2.2 acres. The Division has prepared a ***Disturbed Acreage - Mine Sites table*** to reflect these released and amended sites and acreages. The process of collecting information for this table has uncovered a number of sites with unknown information. Based on the Division's information the total disturbed acreage for mine sites in this 12/8/98 version of this table is 32.8 acres. The current surety posted with the Division is \$324,900 for a total of 107.2 acres of disturbance. Approximately 33 acres of this total are allocated for mine sites. Based on this information, the current surety posted with the Division is considered adequate for reclamation of the mine sites, and no surety adjustment is needed at this time. *The Division hereby grants final approval of the WH-3 WH-7 amendment.*

The Division's current surety amount was escalated to year 1999 dollars, therefore, this surety will need to be reviewed by the Division mid-1999. A complete and updated version of the summary of mine sites & acreages table will be needed to complete the 1999 surety review. Please review the attached table and provide revised or missing information for your mine sites at your earliest convenience.

The Division will contact the BLM and SITLA for information to update this table as well. The Division's reclamation surety review should take place sometime after any inspections of reclaimed sites which are candidates for release. Please contact Tony Gallegos at (801) 538-5267, during the early spring of 1999 to schedule any reclamation release inspections.

Please be advised that you will also need approval from the BLM prior to beginning operations of federal lands. The last BLM correspondence received by the Division regarding this site was their August 7, 1998 letter requesting additional information from American Gilsonite Company. Thank you for your cooperation in completing this permitting action.

Sincerely,



D. Wayne Hedberg
Permit Supervisor
Minerals Regulatory Program

jb
Attachment: 12/8/98 Summary of Mine Sites & Acreage table
cc: Stan Perkes, BLM State Office
Pete Sokolosky, BLM Vernal FO
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